News

PEOPLE & PLACES

Lloyds fined $350m for busting US sanctions

Lloyds Banking Group has been fined $350m by US authorities for faking records of banking transfers for Iranian and Sudanese customers to enable them to transfer cash into and out of the US, circumventing US sanctions.

The British banking group agreed the payment after an investigation by the District Attorney of Manhattan uncovered evidence that Lloyds had removed customer information, such as customer names, bank names and addresses, on financial transfers so that they would not be flagged as improper by US financial institutions also involved in the transactions.

"The Iranian banks have money on deposit in London with Lloyds... They were having Lloyds send the money to the US and beyond, and stripping the identification," said Robert Morgenthau, the 89-year-old District Attorney of Manhattan who led the investigation. The funds were used to purchase goods and services from US companies.

As part of the settlement, no staff will be charged for breaking US laws, unless evidence is subsequently uncovered that they sent money to terrorist groups – which will no doubt be a relief to Eric Daniels, Lloyds' US-born CEO.

Lloyds is one of nine financial institutions that have been investigated by US authorities, according to *The Sunday Times* newspaper.

US pressure has severely curtailed global banks' willingness to deal with Iran – or to do so in a highly circumspect fashion to evade detection and avoid the risk of action by US authorities. Even financial organisations that have no connections with the US can find themselves caught up in US anti-terror laws and sanctions against countries that it considers to be a threat to national security.

"The fine against Lloyds is a reminder that, however unpopular in Europe, US export controls and sanctions reach deep into the economies of other countries and are enforced. Iran is one of the two most significant countries of concern to the US and the restrictions on trade and banking with Iran will remain under the Obama Administration, at least until Iran gives up its nuclear weapons ambitions," said Larry E. Christensen, a member of law firm Miller & Chevalier's International Department.

"Banks and companies alike are well advised to assess their compliance programmes in order to avoid significant fines and worse consequences, such as criminal indictments and extradition requests from the US," he added.

Christensen covered the subject of US sanctions in a series of four articles in Trade & Forfaiting Review *during 2007 and 2008.*

Nedbank closes London forfaiting office as BayernLB exits Asia/Pac

South Africa's Nedbank has closed its London forfaiting office citing current market conditions and a reduced risk appetite at the bank for the decision. The move resulted in the loss of two jobs. The bank, however, has reaffirmed its commitment to the wider global structured commodity and trade finance business.

At the same time, BayernLB has announced that it is exiting from Asia/Pacific, closing its branches in Hong Kong and Shanghai, in addition to representative offices in Beijing, Mumbai and Tokyo. The move is part of an extensive restructuring intended to refocus the bank on its core competences.

BayernLB is one of Germany's eight Landesbanken and half-owned by the Bavarian State Bank. However, it has been hit by losses of €24bn related to imprudent investments in US sub-prime mortgages. The bank has recently raised €5bn in a government-backed bond issue to put the bank on a firmer footing.

Like many banks, the restructuring is intended to help it focus on core businesses and this has seen it close its Milan branch and 'streamline' its New York and London branches. However, the bank's centres in Shanghai, New Delhi and Gurgaon, which is just outside New Delhi, will remain open and continue to support mid-market German companies looking to do business in China and India.

The developments at Nedbank and BayernLB follow the closure of ING Bank's London commodities desk at the beginning of December in a move intended to save costs. ING consolidated its commodities operations in Amsterdam, Rotterdam and Geneva with the loss of up to ten jobs in London.